

December 31, 2002

Deirdre Duzor/Larry Reed,
Pharmacy Team
Center for Medicaid and State Operations
Centers for Medicare & Medicaid Services
Mailstop S2-08-07
7500 Security Blvd
Baltimore, MD 21244

Dear Ms. Duzor or Mr. Reed:

Enclosed is the first draft of a Pharmacy Plus 1115 demonstration waiver application from Delaware Health and Social Services (DHSS). Through the Pharmacy waiver, Delaware proposes to provide pharmacy coverage for elderly and disabled adults below 200% of the Federal Poverty Level or with expenses exceeding 40% of income.

Coverage of these groups will be comprehensive and statewide and will be provided through a contract with Electronic Data Systems (EDS), the Delaware Medical Assistance Program (DMAP) fiscal agent, to conduct outreach, manage the application process, determine eligibility, and pay the prescription drug claims submitted from participating pharmacies.

The program will leverage the existing Department of Health and Social Services (DHSS) pharmacy provider network. Pharmacy providers servicing other DHSS clients will submit claims for program clients. Claims are submitted electronically in a real-time processing environment. Eligibility and medication coverage is verified and the pharmacies are notified within seconds of the claim status (paid or denied).

The program will cover generic drugs. Brand name drugs only are covered when there is no generic equivalent or in cases where verification of medical necessity for the brand name drug is provided by the prescribing practitioner.

The program will not pay for any of the drugs covered by Medicare, including diabetic supplies. By encouraging the use of Medicare, program dollars will be saved for future use on non-Medicare covered pharmaceuticals.

Clients are to make a co-pay of \$5 or 25% of the cost of the prescription whichever is greater. The co-pay will be collected by the dispensing pharmacy. The program will provide up to \$2,500 per person, per State fiscal year for prescription assistance.

The Drug Utilization Review (DUR) process will be applied both prospectively and retrospectively to all prescriptions. DUR activities will include physician notifications and prior authorization for certain drug classes. Clinical alerts will be generated.

Delaware proposes to achieve budget neutrality by implementing the following new pharmacy benefit management procedures:

- Step Therapy - EDS estimates that prescription costs for the elderly and disabled in the Medicaid program will decrease by 5% after step therapy is implemented.
- Retrospective DUR - Reducing Duplicate Therapies - An ongoing review of pharmacy claims indicates that 3% of all prescriptions are duplicate therapies that occur in spite of the prospective DUR procedures. In these cases, pharmacists override the system's recommendations.
- Prospective DUR - Reducing Overutilization - Overutilization (early refills) typically represent the highest number of clinical alerts for pharmacists at the Point of Service (POS). EDS estimates that the number of prescriptions that would not be filled as the result of overutilization could be increased by 25% per year.
- Prior Authorization: Some classes of drugs will be authorized only after specific conditions have been met. In addition, drugs will be placed on a prior request basis if they are deemed to have potential for abuse or misuse.

Program participants in need of primary care services will be referred to the Delaware Community Healthcare Access Program (CHAP) sponsored by the Delaware Healthcare Commission. Enrollment in CHAP will also provide eligible individuals access to a statewide network of medical subspecialty services.

The program will expand services by adding a staff pharmacist to implement and oversee the new benefit management procedures. Enrollment and expenditures will increase modestly during the project period, but will be monitored and capped to insure that the program remains within budget.

We look forward to your staff's review and comments, and working with them to develop the final application.

Sincerely,

Philip Soulé, Sr.
Medical Assistance Program

cc: Elaine Archangelo
Claudette Campbell